

REPORT

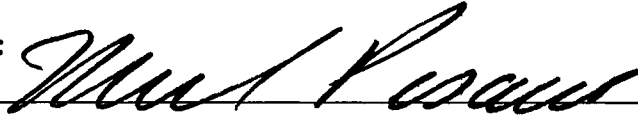
DATE: June 2, 2005

TO: Regional Council and Administration Committee

FROM: Heather Copp, CFO (213) 236-1804 Copp@scag.ca.gov

SUBJECT: Recommendation to Resolve Account Receivables and Funding Adjustments

EXECUTIVE DIRECTOR'S APPROVAL:



RECOMMENDED ACTION:

Authorize the CFO to take appropriate action to write off certain Accounts Receivable (AR) and make appropriate funding adjustments.

SUMMARY:

SCAG has incurred costs in several grants, principally during the period of FY 99-00 through FY 02-03, that have not been collected for various reasons. All efforts to collect these funds have now been exhausted and we have now determined that they must be written off. The Regional Council budgeted funds for this specific purpose at the April 7, 2005 meeting.

BACKGROUND:

I have previously reported to both the Audit Committee and the Administration Committee that SCAG had several ARs from previous fiscal years. Additionally, there have been three circumstances in FY 04-05 where we have incurred costs that cannot be reimbursed from grant funds. There were two main causes that created the older A/Rs:

- Billing grantors a lower ICAP rates than were ultimately approved by Caltrans
- Poor grant management

Over the past 18 months we have been engaged in various activities to appeal or seek relief from Grantors for these ARs. It appears we will only be able to collect in two cases, two special projects undertaken in FY 01 through an MTA program. Therefore, I want to inform the RC of my intent to pay off and remove the other ARs from our books.

As stated above there were three instances of un-reimbursable expenses this fiscal year. We have instituted corrective actions to eliminate re-occurrences.

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The following is a summary of write-offs that need to occur this year.

Vendor / Grantor	Amount	Note
B.R.W.	\$29,780	A consultant performed authorized work and payment was authorized after a grant was closed (FY 00/01)
SP&R fund	\$9,603	SCAG incurred work element expenses after the grant was closed (FY 00/01)
RCTC – SR 91	\$8,158	SCAG incurred work element expenses after the grant was closed (FY 99/00)
RHNA	\$27,567	Costs incurred on behalf of housing program that are not reimbursable (FY 98-99 and 02-03)
FTA	\$84,037	Invoice paid to CSULA for work performed. SCAG invoiced State after fiscal year was closed (FY 00-01)
TANN / OCTA	\$70,460	Work performed at Partnership offices on a special grant, no overhead charged. Practice disallowed by Caltrans audit. Pays for subsequent IC (FY 01-02)
GF A/R	\$324,814	Work performed at Partnership offices on OWP Deployment projects, no overhead charged. Practice subsequently disallowed by Caltrans audit (FY 01-02)
Reebie	\$2,639	Vendor authorized by SCAG staff to begin work before official contract start date (FY 04-05)
Community Design	\$13,424	Consultant allowed by project staff to exceed individual contractual line item budgets, but not overall contract budget (FY 04-05)
Judith Norman	\$32,307	Vendor authorized by SCAG staff to begin work before official contract start date (FY 04-05)
Totals	\$602,789	

There are two additional transactions that will require General Fund contributions:

- The FY 04-05 Regional Economic Conference incurred \$19,013 of costs in excess of conference revenue.
- We are working with Caltrans to transfer funds from our Federal Transportation appropriation to eliminate the claim in the HDR procurement matter. However, due to normal administrative costs associated with such an appropriation, SCAG will most likely have to contribute \$80 - \$100,000 from the General Fund to conclude the transaction.

In addition to the activities noted, SCAG had Rideshare grants between FY 99-00 to FY 02-03 that contained ICAP rates in their contracts that were less than the ICAPs ultimately approved by Caltrans. We have sought, unsuccessfully, to be reimbursed by the Rideshare grantors, principally MTA. I have reviewed these contracts and determined that it is appropriate to use our unallocated TDA fund for these costs. The total charges to the TDA fund will be \$205,735.

After these actions, there will only be two account receivables older than one year on our books. These are two MTA funded programs. The total of these two programs is \$231,000. At the time of this report, these two claims are still being reviewed by Caltrans. Per our discussions with the Audit Committee, funds have been set aside in FY 05-06 as a contingency in case the claims are unsuccessful.

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There are no other old account receivables on our books. We have taken actions over the past two years to strengthen our internal controls so that the conditions that allowed these costs will not be duplicated:

- We charge all grants and projects the Caltrans approved ICAP rate.
- We have a system that requires written notification to the CFO for any A/R older than 30 days.
- We have instituted control mechanisms for invoice review, budget management and contract administration.

FISCAL IMPACT:

As noted in the report, these write-offs are to be paid with funds allocated in the General Fund budget as amended by the Regional Council at the April 7, 2005 meeting and unallocated TDA funds.